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Market Development Reports

Transshipment of Food Products through Aruba is a \$219 million industry 2001

Approved by:

Margie Bauer

Caribbean Basin Agricultural Trade Office

Prepared by:

Jennifer Rousseau

Report Highlights:

Aruba holds its own as a transshipment center for Columbia, the European Union, Panama and Venezuela. In 1999, \$219 million of food and agricultural products were transhipped through the Free Zone of Aruba, mainly Scotch whiskey, American cigarettes, Dutch cheeses, European wines and refined sugar. Lucrative tax incentives and low operating costs have attracted new companies to the Free Zone, who are diversifying into new markets with new products such as candy, chocolates, skim milk powder and poultry purchased from suppliers in the United States.

Includes PSD changes: No
Includes Trade Matrix: No
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Miami[C11], NA

Not only is Aruba a thriving market for U.S. food and beverage products, it holds its own as a transshipment center for Columbia, the European Union (EU), Panama and Venezuela. In 1999, transshipment of products through the Free Zone of Aruba represented a \$271 million industry of which \$219 million were food and agricultural products, mainly Scotch whiskey, American cigarettes, Dutch cheeses, Irish milk, European wines and refined sugar. With the exception of refined sugar, these products have traditionally been those transhipped to the markets in South America. In 1999, products' origin was the United Kingdom (44%), the Netherlands (16%), the United States (6%), Mexico (2%), Panama (2%), the Netherlands Antilles (2%), Columbia (1%) and the rest of the world (27%), and were transhipped to Colombia (38%), the EU (26%), Panama (13%), Venezuela (8%), the United States (5%) and the rest of the world (7%). Shipments to the EU were primarily of sugar imported duty free from Surinam, Trinidad and Guyana into the Free Zone for refining, and then re-exported duty-free as part of Aruba's associate membership in the EU. Surplus, low-cost coffee beans from Colombia and Venezuela were also transhipped to the EU and the United States.

The driving force behind this unique trade began in the 1950's when regional merchants bought goods from Aruban importers that were not available in the nearby countries of Colombia and Venezuela, and then shipped them to buyers in those countries. In 1956, the Aruban Government realized the potential of this trade to enhance the country's economic diversification and employment, and established the Free Zone of Aruba. Over the next forty years trade with Colombia became the mainstay of this industry. In 1996, triggered by international allegations of money laundering and other illicit activity in the Free Zone, the Aruban government established the Free Zone Aruba (FZA) NV, a for-profit public company, to implement and manage new internationally accepted operational procedures in the Free Zone. At the same time, lucrative tax incentives were introduced, which, along with relatively low operating costs, have attracted new companies to the Free Zone. Goods to be transhipped are imported completely free of duty with minimal administrative formalities. Companies' profits from transshipment sales are taxed at 2%. Thirty companies operate in the FZA, most of whom are located next to the harbor of Oranjestad.

Since 1997, when the Colombian government imposed more stringent import regulations and licencing requirements for transhipped goods, the once easy trade in liquor and cigarettes has decreased. While many companies still tranship traditional products to Colombia, some companies are diversifying into new products such as chocolates, candy, skim milk powder and poultry for new markets such as Panama. Some of these products are purchased from suppliers in the United States. Although most Free Zone companies have had longstanding relationships with their clients and suppliers, they, along with companies new to the business, seem open to the sourcing new products and new markets. This changing industry could provide opportunities to expand exports of a variety of U.S. food products in the region.

For more information on the Free Zone of Aruba and to obtain a list of companies, contact:

Free Zone Aruba (FZA) N.V.

Schotlandstraat # 49

Freezone Suite

Oranjestad, Aruba

Tel: 297-820909, Fax: 297-820888

email: fzanv@setarnet.aw

www.fzanv.com

For reports on market opportunities for U.S. products in Aruba, access the USDA, Foreign Agricultural Service web-site at: www.fas.usda.gov